



**REPORT OF THE AUDITOR OF PUBLIC ACCOUNTS  
AUDIT EXAMINATION OF THE  
OWSLEY COUNTY CLERK**

**Calendar Year 1999**

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Edward B. Hatchett, Jr.  
Auditor of Public Accounts

To the People of Kentucky

Honorable Paul E. Patton, Governor

John P. McCarty, Secretary

Finance and Administration Cabinet

Mike Haydon, Secretary, Revenue Cabinet

Honorable Jimmie W. Herald, Owsley County Judge/Executive

Honorable Sid Gabbard, Owsley County Clerk

Members of the Owsley County Fiscal Court

The enclosed report prepared by Berger & Ross, PLLC, Certified Public Accountants, presents the statement of receipts, disbursements, and excess fees of the County Clerk of Owsley County, Kentucky, as of December 31, 1999.

We engaged Berger & Ross, PLLC, to perform the financial audit of this statement. We worked closely with the firm during our report review process; the resulting audit comports with our reporting format. As part of the audit, Berger & Ross, PLLC, evaluated the Owsley County Clerk's internal controls and compliance with applicable laws and regulations.

Respectfully submitted,

Edward B. Hatchett, Jr.  
Auditor of Public Accounts

Enclosure



**AUDIT EXAMINATION OF THE  
OWSLEY COUNTY CLERK**

Calendar Year 1999

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## **EXECUTIVE SUMMARY**

### **OWSLEY COUNTY SID GABBARD, CLERK CALENDAR YEAR 1999 FEE AUDIT**

On August 23, 2000, fieldwork was completed on the calendar year 1999 Owsley County Clerk's fee audit. An unqualified opinion was rendered on the financial statements.

#### **Audit Findings:**

There are two findings reported in our audit report.

- The County Clerk Should Eliminate The \$2,522 Deficit In His official Fee Account
- The County Clerk Should Improve His Accounting Procedures

#### **Excess Fees:**

The County Clerk owes \$230 to the fiscal court as 1999 excess fees.

#### **Deposits:**

The County Clerk's office bank deposits were insured or properly collateralized with bank assets during calendar year 1999.





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#### Independent Auditor's Report

We have audited the accompanying statement of receipts, disbursements, and excess fees of the County Clerk of Owsley County, Kentucky, for the year ended December 31, 1999. This financial statement is the responsibility of the Owsley County Clerk. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the County Clerk is required to prepare the financial statement on a prescribed basis of accounting that demonstrates compliance with the cash basis and laws of Kentucky, which is a comprehensive basis of accounting other than generally accepted accounting principles. This cash basis system does not require the maintenance of a general fixed asset group or general long-term debt group of accounts. Accordingly, the accompanying financial statement is not intended to present financial position and results of operations in conformity with generally accepted accounting principles.

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the receipts and disbursements of the County Clerk for the year ended December 31, 1999, in conformity with the basis of accounting described above.

To the People of Kentucky  
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Honorable Sid Gabbard, Owsley County Clerk  
Members of the Owsley County Fiscal Court  
(Continued)

Our audit was made for the purpose of forming an opinion on the statement of receipts, disbursements, and excess fees taken as a whole. The accompanying schedule of excess of liabilities over assets is presented for purposes of additional analysis and is not a required part of the financial statement. Such information has been subjected to auditing procedures and, in our opinion, is fairly presented in all material respects in relation to the financial statement taken as a whole.

Based on the results of our audit, we have presented a schedule of Comments and Recommendations, included herein, which discusses the following areas of noncompliance:

- The County Clerk Should Eliminate The Deficit In His Official Bank Account
- The County Clerk Should Improve His Accounting Procedures
- The County Clerk Should Pay The Excess Fees Due The Fiscal Court

In accordance with Government Auditing Standards, we have also issued a report dated August 23, 2000, on our consideration of the County Clerk's compliance with certain laws and regulations and internal control over financial reporting.



Berger & Ross, PLLC

Audit fieldwork completed -  
August 23, 2000

OWSLEY COUNTY  
SID GABBARD, COUNTY CLERK  
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
Calendar Year 1999

Receipts

State

Election Personnel Expense	\$	1,956	
Fish and Game Reports		586	
Library and Archives Grant		7,100	
Voters Registration		<u>39</u>	\$ 9,681

Fiscal Court:

Salary	\$	30,922	
Election Expense Reimbursement		645	
Car Tax Notice Reimbursements		704	
Preparing Tax Bills		<u>621</u>	32,892

Licenses and Taxes:

Motor Vehicle-

Licenses and Transfers	\$	87,861	
Usage Tax		78,577	
Tangible Personal Property Tax		<u>170,412</u>	336,850

Licenses-

Fish and Game	\$	17,076	
Marriage		2,450	
Deed Transfer Tax		3,869	
Delinquent Taxes		<u>22,672</u>	46,067

Fees Collected for Services:

Recordings-

Deeds, Easements and Contracts	\$	930	
Real Estate Mortgages		1,782	
Chattel Mortgages and Financing Statements		13,032	
All Other Recordings		<u>6,471</u>	22,215

The accompanying notes are an integral part of the financial statement.

OWSLEY COUNTY  
 SID GABBARD, COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 Calendar Year 1999  
 (Continued)

Other:

Miscellaneous		<u>\$ 3,227</u>
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Gross Receipts		\$ 450,932
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Disbursements

Payments to State:

Motor Vehicle-

Licenses and Transfers	\$ 65,676	
Usage Tax	76,210	
Tangible Personal Property Tax	<u>61,521</u>	203,407

Licenses-

Fish and Game	\$ 17,113	
Delinquent Tax	5,399	
Legal Process Tax	<u>4,743</u>	27,255

Payments to Fiscal Court:

Tangible Personal Property Tax	\$ 14,732	
Delinquent Tax	3,342	
Deed Transfer Tax	<u>3,675</u>	21,749

Payments to Other Districts:

Tangible Personal Property Tax	\$ 86,029	
Delinquent Tax	<u>12,422</u>	98,451

Payments to Sheriff		740
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Operating Disbursements:

Deputies Salaries	\$ 27,300	
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The accompanying notes are an integral part of the financial statement.

OWSLEY COUNTY  
 SID GABBARD, COUNTY CLERK  
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND EXCESS FEES  
 Calendar Year 1999  
 (Continued)

Supplies and Materials-		
Office Supplies		\$ 144
Other Charges-		
Postage	\$ 3,089	
Bank Fees and NSF Charges	1,223	
Utilities	1,188	
Library and Archives	7,100	
Miscellaneous	<u>69</u>	<u>12,669</u>
Total Disbursements		\$ 391,715
Unpaid Obligations:		
Tangible Personal Property - Fiscal Court	\$ 1,312	
Delinquent Tax – Fiscal Court	375	
Delinquent Tax – Forest Fund	3	
Delinquent Tax – Sheriff	<u>58</u>	<u>1,748</u>
Total Disbursements and Unpaid Obligations		<u>\$ 393,463</u>
Net Receipts		\$ 57,469
Less: Statutory Maximum		<u>53,639</u>
Excess Fees		\$ 3,830
Less: Expense Allowance		<u>3,600</u>
Excess Fees Due County for Calendar Year 1999		\$ 230
Payments to County Treasurer		<u>-</u>
Balance Due at Completion of Audit		<u><u>\$ 230</u></u>

The accompany notes are an integral part of the financial statements.

OWSLEY COUNTY  
SID GABBARD, COUNTY CLERK  
NOTES TO THE FINANCIAL STATEMENT  
December 31, 1999

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of receipts over disbursements to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

The financial statements have been prepared on a cash basis of accounting pursuant to KRS 68.210 as recommended by the State Local Finance officer. Revenues and related assets are generally recognized when received rather than when earned. Certain expenses are recognized when paid rather than when a liability is incurred, including capital asset purchases. Certain other expenses are recognized when revenue and the related asset can be associated with corresponding liability due another governmental entity.

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the County Clerk to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentality's, obligations and contracts for future delivery or purchase of obligations back by good faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).



OWSLEY COUNTY  
SID GABBARD, COUNTY CLERK  
NOTES TO THE FINANCIAL STATEMENT  
December 31, 1999  
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS) pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a multiple-employer public retirement system that covers all eligible full-time employees. Benefit contributions and provisions are established by statute. Non-hazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for non-hazardous employees was 7.28 percent.

Benefits fully vest on reaching five years of service for non-hazardous employees. Aspects of benefits for non-hazardous employees include retirement after 27 years of service or age 65.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is present in the Kentucky Retirement System's annual financial report which is a matter of public record.

Note 3. Deposits

The County Clerk maintains deposits with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to law, the depository institution should pledge sufficient securities as collateral which, together with FDIC insurance, equals or exceeds the amount on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge of securities should be evidenced by an agreement that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. This agreement, signed by both parties, must be sufficient to create an enforceable and perfected security interest in the collateral under Kentucky law. The County Clerk met the requirements stated above, and as of December 31, 1999, deposits were fully insured or collateralized at a 100% level with securities held by the county official's agent in the county official's name.

Note 4: Grants

In prior years, the County Clerk received a local records microfilming grant from the Kentucky Department of Libraries and Archives. There was a \$7,100 balance as of January 1, 1999. The County Clerk expended \$6,821 for grant related expenditures and returned \$279 to the Kentucky State Treasurer.

OWSLEY COUNTY  
SID GABBARD, COUNTY CLERK  
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS

December 31, 1999

Assets

Cash in Bank	\$ 450
Deposits in Transit	<u>33,892</u>
 Total Assets	 \$ 34,342

Liabilities

Outstanding Checks	2,081
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Obligations Paid After December 31, 1999:

State Treasurer-

Ad Valorum Tax - December	\$ 4,412	
Delinquent Tax - December	577	
Legal Process - December	320	
Motor Vehicle License - December	1,175	
Usage Tax - December	<u>297</u>	\$ 6,781

Fiscal Court-

Ad Valorum Tax - April through November	\$ 10,989	
Deed Tax - December	3,675	
Delinquent Tax - April through November	<u>3,228</u>	17,892

Sheriff-

Delinquent Tax - May through November	503
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Other-

Ad Valorum Tax - December	\$ 6,171	
Delinquent Tax - December	1,023	
Service Charges	<u>435</u>	<u>7,629</u>

Total Obligations Paid After December 31, 1999	32,805
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OWSLEY COUNTY  
SID GABBARD, COUNTY CLERK  
SCHEDULE OF EXCESS OF LIABILITIES OVER ASSETS  
As of December 31, 1999  
(Continued)

Unpaid Obligations:

Fiscal Court-

Excess Fees Due at Completion of Audit	\$ 230	
Ad Valorum Tax – December	1,312	
Delinquent Tax – December	<u>378</u>	\$ 1,920

Sheriff-

Delinquent Tax – December	<u>58</u>	
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Total Unpaid Obligations	<u>1,978</u>
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Total Liabilities	<u>\$ 36,864</u>
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Total Fund Deficit as of December 31, 1999	<u>\$ (2,522)</u>
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## COMMENTS AND RECOMMENDATIONS



OWSLEY COUNTY  
SID GABBARD, COUNTY CLERK  
COMMENTS AND RECOMMENDATIONS

Calendar Year 1999

STATE LAWS AND REGULATIONS

1. The County Clerk Should Eliminate The Deficit In His Official Fee Account

As of December 31, 1999, the County Clerk had a deficit of \$2,522 in his official fee account. We recommend the County Clerk eliminate this deficit.

*Management Response:*

*The County Clerk will correct the deficit.*

2. The County Clerk Should Improve His Accounting Procedures

The county Clerk often withheld payments due the fiscal Court and Sheriff for up to six months . In addition, the County Clerk was not making timely deposits and when the deposits were made, usually when the bank account was running low on funds, they were in the form of large cash deposits. Cash deposits of \$9,400, \$5,500, and \$4,100 made on February 25, February 28, and April 11, respectively (all in the year 2000).

*Management Response:*

*The County Clerk will correct this situation.*

3. The County Clerk Should Pay The Excess Fees Due The Fiscal Court

The County clerk owes \$230 in excess fees to the Fiscal Court. We recommend the County Clerk pay the Fiscal Court the amount due.

*Management Response:*

*The County Clerk will pay the excess fees to the Fiscal Court.*





REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



Honorable Jimmie W. Herald, County Judge/ Executive  
Honorable Sid Gabbard, Owsley County Clerk  
Members of the Owsley County Fiscal Court

Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the Owsley County Clerk As of December 31, 1999, and have issued our report thereon dated August 23, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Owsley County Clerk's financial statement as of December 31, 1999, is free of material misstatement, we performed tests of compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Owsley County Clerk's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Honorable Jimmie W. Herald, County Judge/Executive  
Honorable Sid Gabbard, Owsley County Clerk  
Members of the Owsley County Fiscal Court  
Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of The Financial  
Statements Performed In Accordance with Government Auditing Standards  
(Continued)

This report is intended for the information of management. However, this report, upon release by the Auditor of Public Accounts, is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, appearing to read "Berger & Ross", with a long horizontal flourish extending to the right.

Berger & Ross, PLLC

Audit fieldwork completed –  
August 23, 2000

